



IN PRACTICE WEBCAST: THE DIVIDEND TRADE OFF

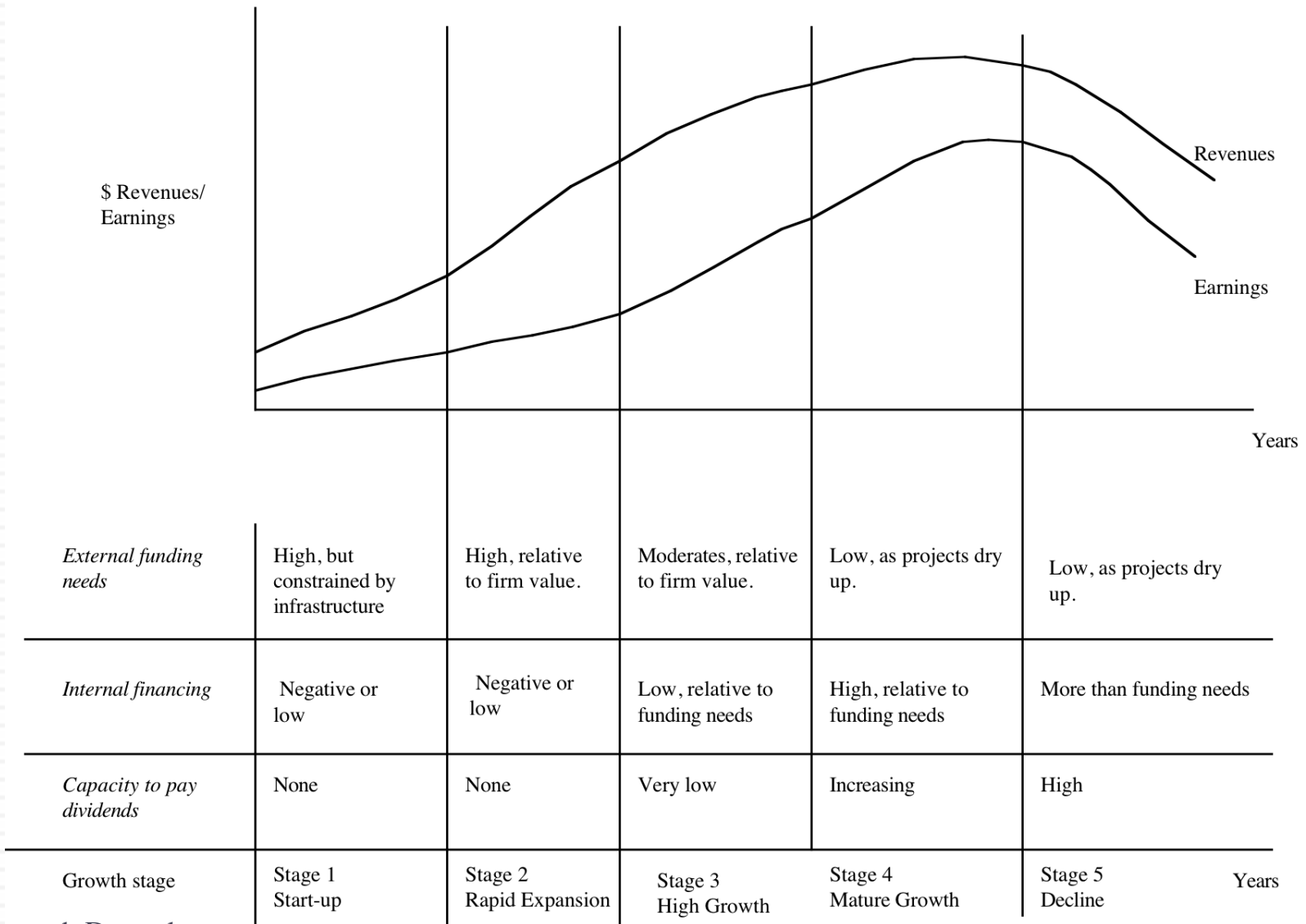
“Companies don’t have cash. They hold cash for their stockholders.”

The balanced viewpoint

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- If a company has excess cash, and few good investment opportunities ($NPV > 0$), returning money to stockholders (dividends or stock repurchases) is good.
- If a company does not have excess cash, and/or has several good investment opportunities ($NPV > 0$), returning money to stockholders (dividends or stock repurchases) is bad.

Figure 10.7: Life Cycle Analysis of Dividend Policy



Where does Intel fit in the life cycle?

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- While Intel was one of the great growth companies of the last century, the last decade has seen its growth slow, investment opportunities drop off and cash build up.
- In life cycle terms, Intel enter a more mature phase around 2000 and was poised to start returning more cash.

Should Intel pay/increase dividends?

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- Clientele Effect: The investors in your company like dividends.
- The Signalling Story: Dividends can be signals to the market that you believe that you have good cash flow prospects in the future.
- The Wealth Appropriation Story: Dividends are one way of transferring wealth from lenders to equity investors (this is good for equity investors but bad for lenders)

The Clientele Effect at Intel? Who owns Intel stock?

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Only positive numbers allowed with <Print>.

INTC US Equity		25) Settings		Security Ownership				
Intel Corp				CUSIP 45814010				
1) Current		2) Historical		3) Matrix				
4) Ownership		5) Transactions		6) Options				
Search Name --		21) Save		22) Delete				
Text Search		23) Saved Searches		24) Refine Search				
Holder Group		All Holders		Allocate Multi-Managed				
20 Export								
Holder Name	Portfolio Name	Source	Opt	Position	% Out	Latest Chg	File Dt	
1. BLACKROCK	n/a	ULT-AGG	All	291,794,054	6.15	-4,311,185	12/31/14	
2. VANGUARD GROUP INC	VANGUARD GROUP INC	13F		265,541,510	5.60	3,302,110	12/31/14	
3. STATE STREET CORP	STATE STREET CORPORA	13F		209,834,049	4.42	-420,342	12/31/14	
4. WELLINGTON MANAGEMENT G	WELLINGTON MANAGEMENT	13F		106,782,337	2.25	-1,720,436	12/31/14	
5. INVESCO LTD	n/a	ULT-AGG		71,035,544	1.50	-2,825,635	12/31/14	
6. NORTHERN TRUST CORPORAT	NORTHERN TRUST CORP	13F		70,097,186	1.48	-2,573,408	12/31/14	
7. BANK OF NEW YORK MELLON	BANK OF NEW YORK MELL	13F		67,850,627	1.43	-10,992,481	12/31/14	
8. HARRIS ASSOCIATES LP	HARRIS ASSOC LP	13F		64,925,336	1.37	-3,038,054	12/31/14	
9. CAPITAL GROUP COMPANIES	n/a	ULT-AGG		56,634,889	1.19	1,500,263	03/31/15	
10. UBS AG	n/a	ULT-AGG	Y	53,674,479	1.13	2,675,829	04/28/15	
11. BARROW HAWLEY NEWHONEY	BARROW HAWLEY NEWHON	13F		-48,972,603	1.03	226,382	12/31/14	
12. MORGES BANK	MORGES BANK	13F		-41,745,191	0.88	5,723,345	12/31/14	
13. GEODE CAPITAL MANAGEMENT	GEODE CAPITAL MANAGE	13F		39,564,739	0.83	826,482	12/31/14	
14. STATE FARM MUTUAL AUTO I	STATE FARM MUTUAL AU	13F		39,078,900	0.82	0	12/31/14	
15. LOOMIS SAYLES & COMPANY	LOOMIS SAYLES & CO LP	13F		39,024,483	0.82	3,095,534	12/31/14	
16. ALLIANZ SE	n/a	ULT-AGG	Y	38,079,628	0.80	1,657,862	03/31/15	
17. BANK OF AMERICA CORPORAT	BANK OF AMERICA	13F	Y	36,911,315	0.78	-10,625,899	12/31/14	
18. FIRST EAGLE INVESTMENT MG	FIRST EAGLE INVESTMEN	13F		36,442,393	0.77	-3,887,441	12/31/14	
19. FRANKLIN RESOURCES	n/a	ULT-AGG		35,481,246	0.75	-7,469,340	03/31/15	
20. TIAA-CREF	n/a	ULT-AGG		35,114,310	0.74	187,169	12/31/14	
21. PRIMECAP MANAGEMENT COM	PRIMECAP MANAGEMENT	13F		32,253,368	0.68	-127,900	12/31/14	
22. WELLS FARGO & COMPANY	n/a	ULT-AGG	Y	29,939,192	0.63	3,230,811	12/31/14	
				% Out 68.41	SI % Out 2.43	Zoom - 0 + 85%		
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000								
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000				Copyright 2015 Bloomberg Finance L.P.				
				SN 636136 EDT GHT-4:00 G260-627-0 01-May-2015 10:46:11				

And more evidence of the institutional tilt

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INTC US \$ 33.179 +.629 P33.17/33.18Q 59x31
At 10:31 d Vol 6,001,257 O 32.63Q H 33.20D L 32.62Q Val 197.47M

INTC US Equity Settings Security Ownership
Intel Corp CUSIP 45814010

1 Current 2 Historical 3 Matrix 4 Ownership 5 Transactions 6 Options

Compare Current Stats Against 04/26/2015

Institutional - Based on Current Filings

51) Institutional	04/26	05/01	Change
11) % of Shares Held	68.45	68.40	-0.05%
12) % of Float Held	68.52	68.47	-0.05%
13) # of Institutions	2,847	2,843	-0.14%
14) # of Buyers	897	899	+0.22%
15) # of Sellers	1,124	1,141	+1.51%
16) # of New Buyers	240	221	-7.92%
17) # of Selloffs	118	126	+6.78%
18) % Chg in Inst Positions	-2.23	-2.29	-0.06%

Insider - Based on Last 6 Months

52) Insider	04/26	05/01	Change
21) % of Shares Held	0.05	0.05	0.00%
22) % Chg in Insider Positions	+9.83	+14.32	+4.49%
23) # of Insiders	17	17	0.00%
24) # of Buyers - Opn Mkt	0	0	N.A.
25) # of Sellers - Opn Mkt	6	5	-16.67%
26) # of Shrs Bought - Opn Mkt	0	0	N.A.
27) # of Shrs Sold - Opn Mkt	939,256	752,046	-19.93%
28) Avg Opn Mkt Buy Price	0	0	N.A.
29) Avg Opn Mkt Sell Price	35.05	35.40	+1.00%

Top Geographic Ownership (%)

53) Geographic Ownership	04/26	05/01	Change
31) United States	83.29	83.24	-0.05%
32) Great Britain (UK)	4.23	4.22	-0.01%
33) Canada	2.34	2.30	-0.04%
34) Switzerland	1.81	1.84	+0.03%
35) Norway	1.35	1.37	+0.02%
36) Japan	1.34	1.33	-0.01%
37) Germany	1.06	1.05	-0.01%
38) Luxembourg	0.88	0.88	0.00%
39) Netherlands	0.85	0.83	-0.02%

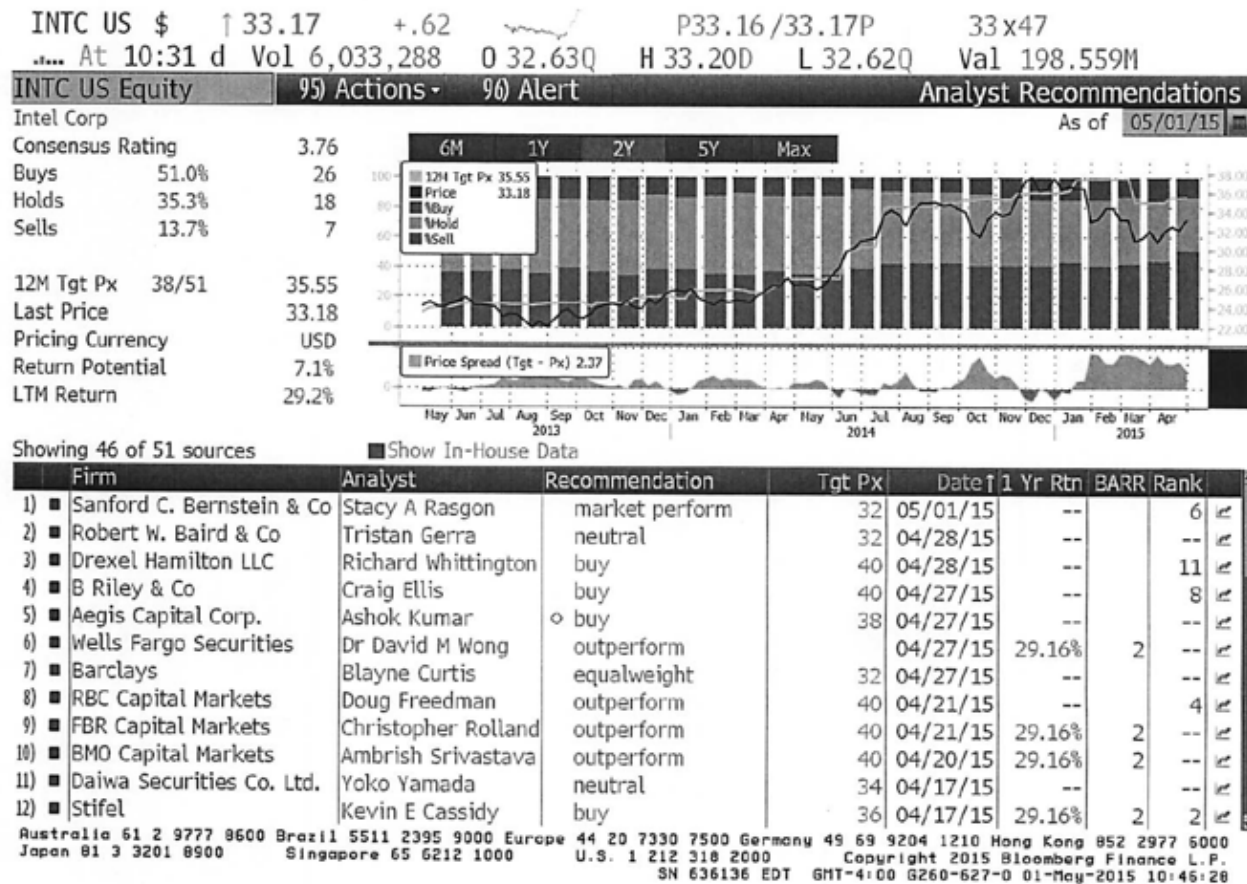
Top Ownership Type (%)

54) Ownership Type	04/26	05/01	Change
41) Investment Advisor	86.18	86.01	-0.17%
42) Hedge Fund Manager	3.74	3.78	+0.04%
43) Pension Fund	3.30	3.27	-0.03%
44) Insurance Company	2.87	2.87	0.00%
45) Bank	1.70	1.86	+0.16%
46) Government	1.70	1.70	0.00%
47) Holding Company	0.15	0.15	0.00%
48) Individual	0.13	0.14	+0.01%
49) Corporation	0.12	0.12	0.00%

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Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 319 2000 Copyright 2015 Bloomberg Finance L.P.
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2. Dividends as a signal? Does Intel need to?

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A case for a tilt towards buybacks

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- Even as a mature firm, Intel is still subject to big swings in earnings and cash flows from year to year.
- Since earnings are not predictable, it will be dangerous for Intel to increase dividends substantially and be stuck with those dividends.
- Given that Intel's stockholders don't look like a classic dividend clientele, that Intel does not need to use dividends to signal to markets and that there is little potential for wealth transfer from paying higher dividends, we would expect Intel to be returning most of its cash in stock buybacks.

Intel's actual dividends

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<i>Year</i>	<i>Net Income</i>	<i>Dividends (aggregate)</i>	<i>Stock Buybacks</i>	<i>Cash Returned</i>	<i>% in dividends</i>	<i>Dividend Payout Ratio</i>
2005	\$13,309.00	\$1,958.00	\$10,637.00	\$12,595.00	15.55%	14.71%
2006	\$10,400.00	\$2,320.00	\$4,593.00	\$6,913.00	33.56%	22.31%
2007	\$16,350.00	\$2,618.00	\$2,788.00	\$5,406.00	48.43%	16.01%
2008	\$12,195.00	\$3,100.00	\$7,195.00	\$10,295.00	30.11%	25.42%
2009	\$14,693.00	\$3,108.00	\$1,762.00	\$4,870.00	63.82%	21.15%
2010	\$22,893.00	\$3,503.00	\$1,736.00	\$5,239.00	66.86%	15.30%
2011	\$12,942.00	\$4,127.00	\$14,340.00	\$18,467.00	22.35%	31.89%
2012	\$11,005.00	\$4,350.00	\$5,110.00	\$9,460.00	45.98%	39.53%
2013	\$9,620.00	\$4,479.00	\$2,440.00	\$6,919.00	64.73%	46.56%
2014	\$11,704.00	\$4,409.00	\$11,117.00	\$15,526.00	28.40%	37.67%
	\$135,111.00	\$33,972.00	\$61,718.00	\$95,690.00	35.50%	25.14%